

**London Borough of Enfield
Cabinet**

Meeting date: 8th February 2023

Subject: HRA Revenue and Capital Programme Monitor Month 8

**Cabinet Member: Councillor George Savva (Social Housing)
Councillor Tim Leaver (Finance & Procurement)**

Executive Director: Sarah Cary

Key Decision: KD5501

Purpose of Report

1. To provide an update on the current forecast outturn position of the Housing Revenue Account (HRA), covering both revenue and capital expenditure associated with delivering the Council's Housing service.
2. The overall forecast monitoring position is based on information known as at the end of November 2022.

Executive Summary

3. The HRA is achieving the Council's objectives through the development of new affordable homes, providing good homes in well-connected neighbourhoods, improving existing housing stock to create a lifetime of opportunities in Enfield, and sustaining strong and healthy communities.
4. The purpose of the report is to provide an overview of the 2022-23 forecast outturn position at Month 8, for the Housing Revenue Account (HRA) for the Capital and Revenue programmes.
5. This report sets out the Council's estimated revenue expenditure compared to the budget; this is called the "outturn" (a local government phrase which means the total net expenditure for the financial year). This is a ring-fenced budget which includes all operating income (e.g. housing rent) and costs (e.g. housing officers, grounds or lift maintenance of housing estates or block cleaning) for Council housing.
6. The HRA revenue budget, is forecasting a pressure of £1.95m against the approved budget. The variations to budget are as follows:
 - a. Energy inflation is expected to generate a budget pressure of £0.80m before taking account of earmarked energy reserves.
 - b. RTB sales have seen an increase this year and sales up to the end of November reached 68 against an estimated 60 for the full year, its estimated that we will achieve sales of 95 this year, which has increased the admin fee we receive for administering these sales, this has brought in an additional £100k this year.

- c. Vacancies are being held within the Supervision & Management teams which has created a saving of £130k. These savings are partly offset by the pressures created from the increase in pay award this year.
 - d. Additional costs have been incurred from the decanting of Walbrook house to complete the essential gas works, these costs are estimated to be £820k this year.
 - e. Costs associated with the policing service on our estates to support community safety and crime reduction has seen a reduction of £0.50m this quarter, this is due to ongoing recruitment challenges.
 - f. Repairs expenditure, this service is experiencing inflation and sub-contractor pressures and is estimated to have a budget shortfall of £0.23m before taking account of earmarked repairs reserves
 - g. The bad debt contribution has reduced by £0.50m in this period as the provision we have is adequate to cover the current arrears levels
 - h. Interest rates on PWLB borrowing to support the capital programme have risen significantly from 3.5% to 4.5%, which has increased the interest cost of borrowing by £0.53m
 - i. Reduction in rental income due to delays in the handover of new build properties and an increase in void rate from 1.5% to 2.4% has reduced the rental income expected this year by £0.62m
 - j. The number of void Garage's has started to increase over the past few months, with the void level rising from 50% to 52%, this has created a pressure in the budget of £50k
 - k. Community halls lettings have increased slightly this year which has seen an increase in the expected level of rental income by £0.02m.
 - l. The expected interest on the HRA reserves has increased from 0.75% to 1%, however the reserves balance has reduced in order to fund essential capital works on our properties, this has reduced the interest received by £0.26m.
7. On capital, the Council's Housing Revenue Account is forecast to spend £107.3m against the approved budget of £134.2m. The capital programme includes building and maintaining Council homes (e.g. fire safety works, replacement of bathrooms and building new homes). This is funded from grant, capital receipts and borrowing. The interest on borrowing is paid for from the Housing Revenue Account, essentially from Council housing rental income.
8. This year we are investing in existing Council homes to:
- a. comply with the requirements of the Building Safety Act and the Fire Safety Act
 - b. comply the requirements of the Decent Homes Standard
 - c. improve energy and thermal efficiency
 - d. to address statutory requirements (other than building investment and decency) including Water Safety and Lift Replacement
9. We are developing new Council homes:
- a. Bury Street West (50 new homes, 25 affordable rented and 25 private sales) - construction works are ongoing with expected completion in January 2023.
 - b. Reardon Court (70 units) preparation works have commenced on site and the main build commenced in September 2022
 - c. Joyce and Snells - A planning application has been submitted and procurement for a Pre-contract Services Agreement to enable works to

commence prior to construction, subject to an overall viability assessment.

- d. Upton and Raynham (130 homes) – the forecast outturn has been reduced this year as contract award has been delayed due to further negotiations. Due to the current climate this scheme is being reviewed and options of how to progress this scheme are being considered.
 - e. Exeter Road (130 new homes) - Due to the current climate (inflationary pressures) this scheme is being reviewed and options of how to progress this scheme are being considered.
 - f. The acquisitions programme forecast has reduced since Q2, this is due to shared ownership acquisitions deemed high risk in the current climate. Negotiations to acquire units at the Alma Estate are in progress, this will provide 137 new affordable homes and generate long term rental income.
10. The report provides an update on the forecast position for the level of HRA reserves as at the end of financial year 2022/23.

Proposals

11. Cabinet is recommended:
12. To note the Month 8 HRA forecast outturn position for 2022/23 for both revenue and capital.

Relevance to the Council's Corporate Plan

13. The overarching aim of the Capital Programme is to provide a framework within which the Council's investment plans can be delivered.
14. The strategy for Council Housing is set out in the Housing and Good Growth Strategy which supports the Corporate Plan 2018-2022. The objectives are to:
- a. Deliver good homes in well-connected neighbourhoods
 - b. Sustain strong and healthy communities
 - c. Build our local economy to create a thriving place
15. The Corporate plan also identifies 3 guiding principles, which underpin these objectives and govern how the Council communicates with residents, works with residents and works as efficiently as possible, including increasing resident access to digital services and transactions.

Background

16. The principle of maintaining a financially sustainable Housing Revenue Account and Capital programme are imperative in the context of an ambitious housing development programme. On 24th February 2022, the 2022/23 budget for both the revenue and the capital programme was set by Council.

17. The revenue budget covers operational or more day to day expenditure whereas the capital budget covers long term investment in Council housing assets.
18. The Council's Capital Programme is regularly reviewed, and monitoring reports are submitted to Cabinet on a quarterly basis. The Council continually strives to maximise external grants and contributions and attract new income streams to fund projects wherever possible and minimise the need to borrow.
19. This report is set out in three sections:
 - a. HRA Revenue budget
 - b. HRA Capital Programme
 - c. HRA Reserves

Main Considerations for the Council

20. This year we continue to experience a range of issues that have an impact on the strategy, priorities and outcomes for the service. This report provides an update on the revenue and capital outturn projections.

Revenue Forecast Outturn

21. The HRA revenue account is forecasting a pressure of £1.95m against the approved budget.
22. Table 1 below shows the forecast outturn position and total variances against budget. The movements are explained below and shown in detail in Appendix A.

Table 1 – Summary of the HRA Forecast Outturn

Council Housing (HRA) Revenue Monitor 2022-23	Budget	Actuals to date	Forecast Outturn	Variance
Supervision and Management	22.45	7.91	23.44	0.99
Repairs Admin & Base	13.73	10.27	13.97	0.24
Rates	0.59	0.00	0.59	0.00
HRA Surplus (to fund Capital)	9.09	0.00	9.09	0.00
Bad Debt Provision	0.61	0.06	0.11	-0.50
Capital Financing	22.27	0.00	22.80	0.54
Corporate & Democratic Core	0.14	0.00	0.14	0.00
Gross Expenditure	68.88	18.25	70.15	1.26
Rents Dwellings	-60.50	-34.41	-59.87	0.63
Rents Non-Dwellings	-3.13	-2.27	-3.10	0.03
Interest on HRA Balances	-0.19	0.00	-0.16	0.03
Leaseholders Service Charges	-5.07	-8.43	-5.07	0.00
Gross income	-68.88	-45.12	-68.20	0.68
Total	0.00	-26.87	1.95	1.95

Supervision and Management (£0.99m shortfall)

23. It is well known that the cost of energy has been on the increase for some time. As most will know, we procure our energy through LASER, the well-established public-sector energy procurement firm. The unprecedented events taking place in Ukraine are causing a significant impact to the UK energy market, with energy prices seeing a dramatic increase since the war started. Prices in March are at unprecedented levels and continue to show extreme volatility. Market prices have been moving by up to 80% within a 24hr period, which makes reliable future price forecasting exceptionally difficult to provide. Based on the latest energy data its estimated that the budget pressure in the HRA this year will be £0.8m after taking account of service charge income. This pressure will be funded from the earmarked energy reserves held in the HRA.
24. RTB sales have seen an increase this year and sales up to the end of November reached 68 against an estimated 60 for the full year, its estimated that we will achieve sales of 95 this year, which has increased the admin fee we receive for administering these sales, this has brought in an additional £100k this year.
25. Vacancies are being held within the Supervision & Management teams which has created a saving of £130k. These savings are partly offset by the pressures created from the increase in pay award this year.
26. Additional costs have been incurred from the decanting of Walbrook house to complete the essential gas works, these costs are estimated to be £820k this year.
27. The energy pressure has been slightly offset by the reduction in the policing service. The HRA currently funds a service that provides additional policing service on our estates to support community safety and crime reduction. This year due to staff vacancies, sickness and abstraction rates in the police service there has been a reduction in the numbers of officers patrolling the estates (from 15 to 11), this has reduced the cost of the service by £500k. Work is ongoing to review the recharges between the HRA and GF, this review will update SLA;s between the departments and ensure all services are focused on core landlord activities, create efficiencies in the services and are lawful under the HRA ringfence rules.

Repairs (£0.24m shortfall)

28. Enfield Repairs Direct (ERD) is experiencing cost pressures from inflation for materials and higher sub-contractor costs than estimated. The shortfall in budget, if materialised, will be funded from earmarked repairs reserves.

Bad Debt - contribution to provision (£0.50m saving)

29. A 10% provision was allocated for the potential increase in arrears from the cost of living crisis, so far actual arrears haven't seen a significant increase and remain at a similar level to last year. Based on current levels the provision in reserves is adequate and a reduction in the revenue contribution has been identified. The expected contribution will be monitored each month to ensure the provision is sufficient.

Interest on debt (£0.54m shortfall)

30. There has been a reduction in the borrowing requirement for the capital programme this year. This is due to the increase in grant payments for a number of development projects. However, Interest rates on PWLB borrowing has risen significantly (from 3.5% to 4.5%) which has increased the overall interest cost of borrowing to fund the capital programme.

31. Rental Income (£0.63m income shortfall)

32. Due to the current market conditions, the completion of 12 new homes at Gatward Green has been delayed. The delays in the units being completed has impacted the expected rental income to the HRA this year and has created a pressure in the revenue budget.

33. In addition, the void rate has increased from 1.5% to 2.4% which has reduced the level of income expected this year and has an impact on void repair costs.

Rents Non-Dwellings - Garage and Community Halls Rents (£0.03m income shortfall)

34. The number of void Garage's has started to increase over the past few months, with the void level rising from 50% to 52%, this has created a pressure in the budget of £50k.

35. Community halls lettings have increased slightly this year which has seen an increase in the expected level of rental income by £0.02m.

Interest on balances (£0.03m income shortfall)

36. The expected interest on the HRA reserves has increased from 0.75% to 1% this year, however the reserves balance position has reduced in order to fund essential capital works on our properties, this has reduced the interest received by £0.26m.

Efficiency Savings

37. The HRA Business Plan has an efficiency target of £1m to be achieved this financial year. The table below shows how these long-term savings are being achieved after considering known pressures: (Please note: these are in addition to the pressures/savings identified in Table 1)

Savings and Pressure summary	£m
Savings	
Reduction in cost of Safe and Connected service	0.03
Efficiency savings in cleaning community centres and sheltered accommodation	0.07
A reduction in temporary accommodation spending for council tenants	0.02
Increased income from community spaces hire	0.08
Reduction in overtime spend	0.24
Staffing vacancy factor @ 5%	0.88
Reduction in use of casual staff – community halls	0.01

Total Savings	1.31
Pressures	
Staffing pay award 2022/23	-0.50
Agency cover for vacant posts	tbc
Total Pressures	-0.50
Net Savings	0.81

38. The efficiency target hasn't yet been achieved this year; however, work is still ongoing, and we estimate that the target will be found this year. Other areas that are being reviewed include:
- a. Review of bin collection arrangements on estates
 - b. ensuring that enhanced services like grounds maintenance are fully charged to tenants and leaseholders
 - c. moving away from using hotels as emergency accommodation
39. These savings will assist in improving the HRA hurdle rates of Loan to Value (LTV) and Interest Cover ratio (ICR) and ensure the HRA remains sustainable.

Capital Programme Outturn

40. The ten-year capital programme is detailed in Appendix B. It shows the revised ten-year position inclusive of carry-forwards from 2021/22 as part of the HRA Business Plan update.
41. The HRA capital budget for the current financial year is summarised in table 2 below. It provides the latest forecast outturn position compared to the original budget as advised by programme managers.

Table 2 HRA Capital Programme forecast

HRA Capital Programme 2022-23	Approved Budget	Actuals to date	Forecast	Variance
	£m	£m	£m	£m
Decency	17.4	12.2	17.5	0.1
Energy Efficiency	4.9	1.3	3.7	-1.3
Building Investment	26.3	5.6	14.0	-12.3
Statutory Compliance	3.9	1.7	2.5	-1.3
Overheads & other investment	1.7	0.9	2.3	0.6
Investment Programme	54.2	21.7	40.0	-14.2
Development Programme	22.5	4.4	34.4	11.9
Joyce & Snells	6.0	2.3	6.3	0.3
Bury Street West	10.7	5.7	10.7	0.0
Electric Quarter	1.3	0.6	1.3	0.0
Reardon Court	10.5	3.7	7.9	-2.6
Exeter Road	7.0	0.7	0.8	-6.2
Upton & Raynham	11.7	1.7	1.7	-10.0
Bullsmoor Lane	4.1	0.3	1.0	-3.1

Development Programme	73.7	19.5	64.0	-9.7
Alma Towers	5.7	2.1	3.1	-2.6
Ladderswood	0.2	0.0	0.1	-0.1
New Avenue	0.4	0.4	0.2	-0.1
Estate Regeneration Programme	6.3	2.6	3.4	-2.9
Grand Total	134.2	43.8	107.4	-26.8

HRA Capital Programme: Forecast, Expected Outcomes and reasons for variations to budget for 2022/23

42. This section provides details of significant areas of forecast spend, the associated outputs and variations to budget that will be delivered by those schemes this year. This includes investment in improving safety and the condition of Council homes, general maintenance, investments the support the climate action plan, building new homes and large-scale regeneration schemes.

Council Housing Investment Programme (£40.0m)

43. In line with the Better Council Homes programme, investment in the Council's housing stock and achieving the Decent Homes Standard and maintaining this is a Council priority; to address building safety risks and to reduce the need for responsive repairs.
44. The projected outturn for the investment on existing homes has been rephased this year, to ensure the management of the HRA cash flow is maintained.

Decency (£17.5m)

45. This budget funds decent homes improvement works, to ensure we comply with the Decent Homes Standard requirements. This year the service will improve 250 internal elements, which includes the replacement of kitchens, bathrooms and electrical upgrades on properties within our stock.

Energy Efficiency (£3.7m)

46. These projects aim to improve the energy and thermal efficiency of our existing stock. These projects include the deep retrofit and external wall insulation, which are partly grant funded projects. The contractors have proposed an increased pricing schedule (based on current market pressures) and in addition a reduced programme of works. We are continuing with this project on the revised basis as this will assist in achieving the net zero homes objective.

Building Investment (£14.0m)

47. We are investing in our homes to ensure we are compliant with the Building Safety Act and Fire safety Act requirements. Cladding works on a number of blocks has been delayed due to contract award delays, this has reduced the budget requirement for this year. In addition, contract values are increasing with additional scope as a result of changing building safety

regulations and delays arising from gaining access to homes. Revised contingency levels are being considered to reflect these pressures which are likely to continue on such works.

Statutory Compliance (£2.5m)

48. This budget will address statutory requirements (other than building safety and decency) including water safety and lift replacements works. In addition, we have delivered high priority communal electrical works and emergency lighting upgrades in 6 sheltered blocks.

Overheads and other investments (£2.3m)

49. This budget includes professional fees, stock condition surveys, structural strengthening and estate improvements works. The budget requirement has increased due to additional investment in boiler replacement programme.

Social Value

50. Contracts let this year are expected to deliver the following social value outcomes:
- Apprenticeships
 - school placement/ work experience placements, with 4 targeted at BME and disabled school leavers
 - DIY skills workshops (2 per year) for residents
 - greening projects
 - A commitment that 40% of all contract labour will be from Enfield residents
 - A 3-tonne reduction in carbon generated from the council
 - 100% recyclable waste target
 - Resident energy awareness programme to address energy consumption and fuel poverty.
 - Moving forward all Social Value outcomes will be captured via the Social Value Portal, using the Council Housing social value model. Social Value will account for 10% of the tender evaluation score.

Development Programme (£64.0m)

51. This year the new homes programme has experienced challenges arising from the current volatile market conditions. As a way to mitigate these risks going forward, we are reviewing partnership models of delivery and short term looking to achieve new homes targets by acquiring additional homes already in the pipeline. This also has the benefit of underwriting delivery of existing programmes at a time when progress may be reviewed/paused by partners due to market uncertainty.
52. Acquisitions – There has been a reduction in the forecast outturn since quarter 2, this is due to not continuing negotiations for the purchase of 95 shared ownership units. These acquisitions were assessed based on the approved hurdles and risk, the scheme didn't meet the hurdle rates and sales risk is greater due to the interest rates being high impacting affordability for buyers. We are currently in negotiations to purchase 137 units at the Alma development project this year. If viable these acquisitions

will add affordable units to the HRA stock and will generate long term rental income.

53. Bury Street West (50 new homes, 25 affordable rented and 25 private sales) - construction works are ongoing with expected completion of the units expected in January 2023. Marketing of the private sale units was launched in November.
54. Reardon Court (70 units) - The contractor is now in possession of the site and works have commenced. This project will provide new affordable homes with care for older residents in the borough.
55. Electric Quarter (75 new homes) - All 75 homes were acquired by the Council, with the last 28 shared ownership transferred to the Council in March 2022. The developer is still under obligations to complete the estate and meeting development and sales conditions, including defects, arising from the agreements with the Council. At as December 2022, 23 out of the 28 shared ownership units have been sold, with total capital receipts anticipated to be £2.7m in 2022/23.
56. Joyce and Snells - A planning application has been submitted and procurement initiated to enter into a Pre-contract Services Agreement to enable works to commence prior to construction. Further procurements will be progressing to support the project, including cost consultants and external legal services. Furthermore, it is proposed (subject to Cabinet) that work will commence on a Compulsory Purchase Order application on existing blocks to ensure that vacant possession can be secured prior to commencement of Phase 1.
57. Upton and Raynham (130 homes) - This budget has been reduced this year as contract award has been terminated due to prices being significantly above budget. Due to the current climate this scheme is being reviewed and options of how to progress this scheme are being considered.
58. Exeter Road (130 new homes) - Due to the current climate (inflationary pressures) this scheme is being reviewed and options of how to progress this scheme are being considered.
59. The Council is contractually obligated to deliver starts through the GLA programme with a longer-term commitment to deliver 3,500 homes. To manage cost pressures and deadlines a review is in progress as follows:
 - Value engineering aspects of schemes to create efficiencies.
 - Seeking higher levels of grant – especially those funded through historical low grant rate programme such as Upton and Raynham.
 - Seeking funding via the S106/CIL budgets.
 - Review of procurement strategies including packaging schemes to identify cost efficiencies.
 - Review of tenure and increasing private sale.
 - reviewing partnership models of delivery
60. As part of this review updated build costs and revised expenditure profiles have been included within the updated HRA Business Plan.

Estate Regeneration (£3.4m)

61. This programme, which includes the Alma Estate, New Avenue and Ladderswood schemes, is investing in large scale phased regeneration for delivery of in-demand affordable housing as well as unlocking new homes for low cost home ownership for Enfield residents.
62. Alma - all residential properties have been acquired, with a few commercial units that will be acquired over the next two years. In September 2021 a revised planning consent was granted and phases 2a and 4 have been brought forward, the completions of these phases is expected in January 2024. The expected spend this year has been reduced based on the latest contractor payments forecast.
63. Ladderswood - Phase 4 construction is progressing well, with the super structure frame close to completing. This phase is programmed for completion in Autumn 2024. Due to various delays and title issues, the commercial units remain void which will impact on rental income, we currently we only have 1 out the 6 units on offer and are progressing completion of the lease. The overage payment of £5m has been received.
64. New Avenue - all residential buyback properties have been acquired. Phase 1 is complete, phase 2 commenced in April 2022 and is well underway with foundations largely complete and some concrete frames rising. The existing building in phase 3 (Coverack Close) is fully vacated and is due to be demolished this year.

Risks

65. New and emerging legislation around Building Safety, Decency standards and the Climate Action agenda, are placing significant financial pressures on the HRA and it is acknowledged that the Council will need to explore external funding and continue to lobby Central Government, for additional financial support, to enable it to deliver this strategy.
66. A significant risk is that of increasing construction costs, noted below, which is expected to impact on residential contracts entered into. Mitigations will have to be found in specification of works and securing maximum grant support whilst monitoring market conditions and the macro-economic environment.
67. There are c. 600 private sales units built into the plan, depending on market conditions the sale of these units could add financial pressure to the business plan and impact on cashflow if the sales were delayed or were sold at a lower value than estimated.
68. Development Programme
Risks relate to planning timescales and cost of development. In the current climate, the contractor market is likely to amend pricing to include the risk of reduced supply and material chains which will impact on the Council's ability to deliver within hurdle rates. If project expenditure increases significantly it may mean that projects may be delayed, must be redesigned to remain affordable or considered for delivery as part of a partnership

model. If projects are abandoned then this will have an impact on the revenue reserves position, as costs which have already been capitalised may need to revert back to revenue as there will be no asset to capitalise the costs against.

69. Changes in grant conditions could impact the future development programme i.e. reduction in rent levels and grant receivable. Unlike its predecessor the new Affordable Homes Programme (AHP) is based on a lower social rent and no longer has a tariff rate and each scheme is based on value for money test and grant as a % of total scheme costs. The assumption in the HRA Business Plan is £150k (social rent) and £50k (shared ownership) for bids submitted under the AHP programme. Joyce and Snell's has been allocated a higher level of grant per unit reflecting the complexities of the scheme.
70. The overall programme risk is the availability of grant for future years which is likely to have a stringent set of restrictions. In the short term, it is important to develop processes and a flexible approach to planning and hurdle rates to maintain grant levels currently allocated for this financial year.
71. The Housing Service is exploring mitigations to address these risks which include:
 - engaging with GLA to maximise grant support
 - alternative income sources i.e. S106 and CIL
 - reviewing phasing of construction to minimise the impacts of increased construction costs
 - exploring innovations in construction technology (like modern methods of construction "MMC") to take advantage of cost savings without compromising quality and tenants' safety
 - considering partnership delivery models which share risk and provide scale to support delivery efficiencies

Financing the Capital Programme

72. Table 3 below sets out the forecast financing of the 2022/23 HRA Capital programme, which will be a combination of grants, capital receipts (sales of assets), reserves and borrowing:

Table 3 Forecast financing of the Capital Programme

HRA Capital Programme Financing 2022-23	Capital Grants	Usable Capital Receipts	Major Repairs Allowance	Earmarked Resources / Reserves	Borrowing	Total Funding
	£m	£m	£m	£m	£m	£m
Decency	0.0	8.7	8.8	0.0	0.0	17.5
Energy Efficiency	0.5	2.5	0.5	0.1	0.0	3.7
Building Safety	0.0	13.3	0.4	0.3	0.0	14.0
Statutory Compliance	0.0	1.2	1.4	0.0	0.0	2.5
Overheads & other investment	0.0	1.9	0.2	0.2	0.0	2.3
Total Investment Programme	0.5	27.6	11.3	0.6	0.0	40.0
Development Programme	4.2	0.0	0.0	11.9	18.2	34.4

Joyce & Snells	0.0	0.0	0.0	0.9	5.4	6.3
Bury Street West	1.3	0.0	0.0	0.0	9.4	10.7
Electric Quarter	0.3	0.0	0.0	0.0	1.0	1.3
Reardon Court	7.8	0.0	0.0	0.0	0.1	7.9
Exeter Road	0.0	0.0	0.0	0.0	0.8	0.8
Upton & Raynham	0.0	0.0	0.0	0.0	1.7	1.7
Bullsmoor Lane	0.0	0.0	0.0	0.0	1.0	1.0
Development Programme	13.6	0.0	0.0	12.8	37.6	64.0
Alma Towers	3.1	0.0	0.0	0.0	0.0	3.1
Ladderswood	0.0	0.0	0.0	0.0	0.1	0.1
New Avenue	0.2	0.0	0.0	0.0	0.0	0.2
Estate Regeneration Programme	3.2	0.0	0.0	0.0	0.1	3.4
Grand Total	17.3	27.6	11.3	13.4	37.7	107.4

73. Appendix C shows the financing for the 10-year capital programme.

74. The table below shows the movement in financing of the forecast capital programme since the agreed budget position.

Capital Financing	Approved	Forecast	Difference
	£m	£m	£m
External Grants	20.2	17.3	-2.9
Capital Receipts	22.8	27.6	4.8
Major Allowance Repairs	8.1	11.3	3.2
Earmarked Reserves	21.5	13.5	-8.0
Borrowing	61.6	37.7	-23.9
Total HRA Financing	134.2	107.3	-26.8

75. This year there is a significant focus on how the capital programme is financed. The below details the grants and capital receipts elements as these areas are the highest risk and will impact the borrowing or reserves position if not achieved.

Grants Summary

76. Table 4 below provides a summary of the expected grant levels in 2022-23, awarding bodies and risk associated with received the grant:

Table 4 Summary of Grant Funding

Project	£m	Awarding Body	Risk
Reardon Court	7.4	GLA	
Reardon Court	0.4	Kingsdown Charitable Trust fund	
Gatward Green	0.7	GLA	
Bury Street West	1.2	GLA	
Electric Quarter	0.3	GLA	
Meridian Water Acquisition	2.8	GLA	
External Wall and Deep Retrofit	0.5	Department for Business, Energy and Industrial Strategy	

		(BEIS)	
Additional grant allocation from 50% to 85%	4.0		
Total	17.3		

77. The Council is currently delivering a number of large housing schemes under the Building Council Homes for Londoners programme which requires starts on site no later than March 2023. Through a mixture of direct delivery and acquisitions, the Council is progressing schemes through planning to ensure the current committed programme is delivered to time. In April, the Council submitted a bid as part of the AHP 2021-26 programme and announcements were made in September confirming the full bid was successful and allocated the full amount applied for of £166.5m to support future new build and regeneration projects. The grant relates to sites in future years and projects commencing from April 2023 and is subject to contract.
78. Enfield Council have been successful in the bidding application for Phase 1B of the Local Authority Delivery scheme and received confirmation from Department for Business, Energy and Industrial Strategy (BEIS) last year that the application has successfully met the assessment criteria for funding to provide energy efficiency upgrades to low-income homes. This funding is supporting the installation of External Wall Insulation in a number of Council properties.

Capital Receipts

79. Table 5 below provides a summary of the expected receipts in 2022-23, and risk associated:

Table 5 Summary of Capital receipts

Project	£m	Risk
Land Disposals Programme	2.0	
Electric Quarter Shared Ownership Sales	2.7	
Capital Receipts from previous years	13.7	
Ladderswood Overage	5.1	
Major works recharges to leaseholder	4.1	
Total	27.6	

80. As part of the Electric Quarter project the HRA has acquired 75 homes of which 28 are shared ownership units. Sales are track on and its estimated they will all complete this financial year.
81. In order to assist in funding, the capital programme there is currently a review of HRA owned land that could be disposed of. The £2m target this year is on track to be achieved from these sales.

82. Reserves

83. The level of HRA reserves, after capital financing, is shown below:

Reserves -ve expenditure +ve positive balances on reserves	Balance at 01/04/2022	Movement (net of capital financing)	Balance at 01/04/2023
	£m	£m	£m
HRA Balance	3.19	7.14	10.33
HRA Insurance	0.63	0.00	0.63
HRA Repairs Fund	1.58	0.00	1.58
HRA Capital reserve	1.06	0.50	1.56
HRA Major repairs reserve	0.77	0.00	0.77
HRA Capital receipts	0.17	0.00	0.17
Total	7.40	7.64	15.04
HRA RTB one for one receipts	18.16	8.18	26.34
Total Reserves	25.56	15.82	41.38

84. In 2021-22 the reserves position reduced (as expected) due to the increase in spend in the HRA capital programme. In order to achieve the Council objectives for the delivery of 3,500 new homes over the next 14 years it has been necessary to use reserves to fund the demands in the short term, and in the long term the delivery of new homes will generate additional revenue rental income and capital sales receipts in order to maintain a viable HRA business plan. However, the reserves position was reduced further than expected due to capital receipts not materialising. It should be noted that the reserve levels remain above the minimum balance level of £6m.
85. Cash flow monitoring has been introduced to ensure minimum reserve levels are maintained throughout the year. In addition, this will assist in ensuring the capital receipts received during the year are sufficient to fund the Investment Programme this year.

Safeguarding implications

86. Not relevant to this report

Public Health Implications

87. Through investment in capital building and maintenance, the Council influences the built environment within Enfield significantly. The built environment in turn influences how residents interact with their environment; for example, during active travel or accessing facilities. Ensuring that our capital buildings are maintained, fit for purpose, and wellbeing considerations are taken in terms of their use, how they promote residents' wellbeing is key to contributing positively towards the public's health. Additionally, ensuring that all buildings have minimal environmental impact also contributes towards enhancing resident's wellbeing.
88. The Council moved swiftly to safeguard the health of its residents and staff during a period of threat unprecedented in living memory. As previously reported the financial implications of this have been harsh and have reached into every department in the Council. As the council is

fundamental to the health of Enfield residents it needs to achieve financial balance.

89. This report notes the work that the Council is and has already undertaken and therefore in and of itself does not have public health implications. However, both the Office for Budget Responsibility (OBR) and the Institute for Financial Services (IFS) have both reported on the negative health effects of the 2008 financial crisis. In order to mitigate the effects of this current crisis the council will need to attain financial balance, consider what the 'new normal' might be and how this might be achieved whilst optimising resident's health.

Equalities Impact of the Proposal

90. Not relevant to this report

Environmental and Climate Change Considerations

91. Environmental and climate changes implications are referenced as relevant in the body of the report.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

92. Not relevant to this report

Financial Implications

93. Financial implications are set out in the report.

Legal Implications

94. Section 74 Local Government and Housing Act 1989 sets out that Housing property must be accounted for in the Housing Revenue Account (HRA) by reference to the powers under which it is held. Furthermore, there is a statutory requirement whereby the Council is obliged to keep its HRA separate from other housing activities and not to allow cross subsidy to or from the Council's General Fund resources. In addition, under Section 151 of the Local Government Act 1972 the local authority is required to make arrangements for the proper administration of its financial affairs.
95. The Council has a duty to disclose specific HRA information and its operation as set out in the Housing Revenue Account (Accounting Practices) Directions 2016.
96. On 10th November 2020 Government guidance on the operation of the HRA ring-fence was published. The guidance highlights the need to be fair to both tenants and Council taxpayers and that there should be fair and transparent apportionment of costs between the HRA and the General Fund in accordance with the legislation.
97. Under sections 167-175 of the Localism Act 2011 new provisions were introduced which ended the HRA subsidy system and replaced it with self-

financing arrangements. Section 171 empowered the Secretary of State to make provision relating to the level of indebtedness.

98. Under Regulation 12 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) local authorities are required to use Right to Buy receipts to pay the “poolable amount” to the Secretary of State on a quarterly basis.
99. On 29th October 2018, the HRA borrowing cap was abolished and as a result, local authorities with an HRA are able to borrow against their expected rental income provided this is in line with the current CIPFA Prudential Code.
100. It should be noted that if the Council wishes to dispose of land or property in the HRA or provide financial assistance the consent of the Secretary of State maybe required unless such disposals fall within the General Disposal Consents in Section 32 Housing Act 1985.
101. In respect of the Council’s public sector equalities duty, current equality impact assessments should be kept under review in case of policy changes.

Workforce implications

102. Not relevant to this report

Property Implications

103. Whilst a number of capital projects mentioned within this report have property implications, these will have been highlighted in the relevant report that authorised the project. As such, this report in itself does not have any direct property implications.

Other Implications

104. There are no other implications

Conclusions

105. The HRA budgets continue to be closely monitored, in particular monitoring the cost pressures arising from the current economic position. Action will be taken to address in year cost pressures as these arise to ensure that the HRA maintains financial resilience this has been reported to Cabinet throughout the year.

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Date:

Appendices

Appendix A – HRA Revenue Monitor Month 8
Appendix B - HRA 10-year Approved Capital Programme
Appendix C –HRA 10-year Approved Capital Programme Financing

Background Papers

The following documents have been relied on in the preparation of this report:

Appendix A – HRA Revenue Monitor Month 8

Council Housing Revenue Monitor	2022-23 Latest Budget	Spend to date	Projected Outturn	Variance
Supervision and Management (General) *Housing Development & Estate Renewals *Director Housing Management *Tenancy and Estate Management *Income Collection *Re-Housing *Home Ownership & RTB's *Communications	15.4	4.9	15.5	0.1
Supervision and Management (Special) *Grounds Maintenance *Energy *Communal Services *Sheltered Housing *Concierge & CCTV	7.0	3.0	7.9	0.9
Repairs Admin *Housing Prof Services *Technical Services	4.5	3.7	3.8	-0.7
Repairs Base *Responsive & Planned	9.2	6.6	10.2	1.0
Rates - Council Tax on Estate Renewals	0.6	0.0	0.6	0.0
Rates - Business Rates & Council Tax	0.0	0.0	0.0	0.0
HRA Surplus (to fund Capital)	9.1	0.0	9.1	0.0
Bad Debt Provision	0.6	0.1	0.1	-0.5
Capital Financing	22.3	0.0	22.8	0.5
Rents Dwellings	-60.5	-34.4	-59.9	0.6
Rents Non Dwellings (Shops/Garages/Community Halls)	-3.1	-2.3	-3.1	0.0
Interest on HRA Balances	-0.2	0.0	-0.2	0.0
Corporate & Democratic Core	0.1	0.0	0.1	0.0
Leaseholders Service Charges	-5.1	-8.4	-5.1	0.0
Total Cash Limit	0.0	-26.9	1.9	1.9

Appendix B - HRA 10-year Approved Capital Programme

Capital Programme	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 - 2031/32	Total
	£m	£m	£m	£m	£m	£m	£m
Development Programme Total	73.7	158.5	79.7	114.0	82.6	379.3	887.8
Estate Regeneration Total	6.3	1.1	1.0	0.8	0.6	0.0	9.8
Investment Programme Total	54.1	58.0	15.3	14.5	14.5	68.2	224.5
Total HRA	134.1	217.6	96.0	129.3	97.7	447.5	1,122.1

Appendix C –HRA 10-year Approved Capital Programme Financing

Capital Financing	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 - 2031/32	Total
	£m	£m	£m	£m	£m	£m	£m
External Grants	20.2	9.1	21.1	13.1	34.9	89.3	187.7
S106 & CIL	0.0	0.0	0.0	0.0	0.0	27.5	27.5
Capital Receipts	22.8	56.7	60.7	39.7	17.3	128.9	326.0
Major Allowance Repairs	7.9	12.1	14.2	14.5	15.0	68.2	131.9
Earmarked Reserves	21.6	6.9	0.0	0.0	19.5	48.6	96.6
Borrowing	61.7	132.8	0.0	62.0	11.0	85.0	352.5
Total HRA Financing	134.1	217.6	96.0	129.3	97.7	447.5	1,122.1